

Enterprise M3 Board

29 March 2018

Enterprise M3 Growth Hub: Future Focus – Item 5

Enterprise M3 Board Members are asked to:

NOTE the latest update from BEIS on future funding and focus of Growth Hubs;

NOTE that the EM3 Growth Hub contract is with the BE Group up to 30 September 2018;

CONSIDER the options for future delivery of Business Support Activity through a Growth Hub; and,

AGREE the recommendation to renew the Growth Hub contract for a further 18 months from 1 October 2018 to 31 March 2020.

1. Background

- 1.1. The Enterprise M3 Growth Hub has been in operation for 2.5 years and although the Hub had a slow start, it has grown and adapted to several changing factors.
- 1.2. In August 2017 WECD were commissioned to carry out an independent evaluation of the Growth Hub. This culminated in a final report and summarised in a presentation to the LEP Board in January 2018.
- 1.3. The key findings identified by WECD concluded that:
 - **Performance of the Growth Hub was strong with actual results for growth plans and businesses engaged exceeding targets** as at December 2017;
 - The Growth Hub had received **excellent customer satisfaction** results and customer testimonials;
 - That **high growth and priority sectors was the right focus** but the criteria for the sectors needed to be made clearer;
 - The Growth Hub identified several ways to **drive commercial revenues** that had the potential to deliver a 25% revenue model by March 2019;
 - **Funding, impact and sustainability remained a concern** and a long-term plan and resource commitment was required to maximise impact;
 - There was also **improvement required in the data collection and impact measurement**;
 - The report recommended that a **review plan was set out** to assess whether new policies and strategies were aligned with the Growth Hub model and its priorities;
 - The **focus of the business support provision needed to be reviewed** as well as the core KPI measurements to ensure alignment with the BEIS framework;
- 1.4. Board discussed the evaluation results but noted that further discussion was needed with partners to determine the future direction of business support; that assurance was required that the resources, systems and processes allocated by the Growth Hub were delivering business impact; and that a meeting with BEIS scheduled in February would provide a clearer view of their expectations of Growth Hubs, including scale up activity and funding.

- 1.5. The Board requested that a proposal for the delivery of business support should be presented to the March Board meeting along with an update on scale up activity and the international agenda. Additionally, the Board requested information on other growth hubs to allow quantitative benchmarking.
- 1.6. Since the Board meeting the EM3 team members have discussed the future of the Growth Hub and considered revised approaches to address points raised in the evaluation. Several discussions have been held with other LEPs to understand different models and we have met with BEIS officials to discuss government's future focus. We have been unable to secure comparable information on Growth Hub performance from BEIS although it is clear that they are tightening up on common performance measures and are commissioning impact studies.
- 1.7. Following the budget announcement in November 2017 setting out Governments commitment to continue funding Growth Hubs, Enterprise M3 received formal notification from BEIS in February that the LEP would receive £287k per year for a further two financial years to support its Growth Hub. **Government have sought not to change the remit of the Growth Hub's substantially although have clearly indicated that they expect each LEP to have a Growth Hub and have put greater emphasis on those activities that have the most impact on business growth, closer working across business support deliverers with clearer signposting and a focus on scale ups. Additionally Government is looking for more consistency in data collection and KPIs.**

2. **Options for future delivery of Business Support Activity**

- 2.1 We have considered the next steps for business support and reviewed the following options:

Do nothing and carry on with Growth Hub in its current form and focus

- 2.2 EM3 is ambitious and is always seeking continuous improvement and a straight carry forward option is therefore not an option. This option should especially be rejected since the current Growth Hub focus is no longer entirely fit for purpose. Since the creation of the Growth Hub there have been several macro-environmental factors that have changed the environment in which the Growth Hub operates. At a national policy level these factors include the Industrial Strategy, Brexit and the focus on Scale Up support. At the local economic level factors such as the Local Industrial Strategy, Innovation South and the Internationalisation programme have all been introduced since the inception of the Growth Hub.

Not have a Growth Hub

- 2.3 The Government recognises that local economies are reliant on strong businesses to provide sustainable private sector-led growth and job creation. Growth Hubs (led and governed by LEPs) have been a central instrument in achieving this goal which builds on the success of Local Enterprise Partnership. This is therefore Government policy so we have to reject this option.

Retender the Growth Hub via an OJEU procurement process

- 2.4 The Growth Hub is currently delivering impact demonstrated by a significant improvement in performance as presented by WECD at the January Board meeting. Financial sustainability has always been an issue with all growth hubs since it conflicts with a key principle of impartiality, **however the requirement for Growth Hubs to be financially sustainability has been withdrawn by BEIS from the new 2018-2019 Principles of Funding.** This is a major change in approach. If we were to retender we would have to use a OJEU process

which is costly and time consuming; it is likely to take around 9 months to complete by which time we would be almost into the second year of committed Growth Funding.

Bring the GH in-house

- 2.5 Some LEPs are bringing their Growth Hub in house. These decisions stem largely from poor performance, vested interests and a lack of partnership working within Growth Hubs as well as a desire for the LEP to have much closer working, greater control plus flexibility over use of staff. This is not the case with our Growth Hub.
- 2.6 Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) would apply if EM3 took the contract back in house. Essentially this means:
- That any staff who are assigned to work on the EM3 Growth Hub contract immediately before the transfer will transfer their employment to EM3.
 - Staff who transfer will have their existing terms and conditions protected at the point of transfer.
 - The TUPE process consists of several key steps including a consultation period that would need to be followed that would require HCC HR and Legal support.
 - Since government funding is only secured for the next 2 financial years, and there is no guarantee of government funding following this period, the transferring employees could be at risk of redundancy if further funding was not forthcoming.

Refocus the Growth Hub and extend contract until 31 March 2020

- 2.7 **This is our recommended option** especially since the Growth Hub's performance has improved over the last year and business partners are highlighting the benefit of working alongside the Growth Hub. Both the LEP and the Growth Hub provider have invested significantly in their commitment to the service. Our Growth Hub provider is behaving like a key strategic partner across Enterprise M3 and importantly business and partners regard the Growth Hub as part of Enterprise M3 – the branding, culture and way of working reflects the Enterprise M3 way. Maintaining the existing Growth Hub allows us to proceed at pace.
- 2.8 However the recommendations set out in the Growth Hub independent review, and the revised set of funding principles received from BEIS for 2018-2019 funding year indicate that we must refocus the efforts of our current Growth Hub and we propose to renegotiate our contract to reflect paras. 5.6.- 5.7 in the proposal attached.

3 Conclusion and Recommendation

3.1 It is recommended that:

- **The Growth Hub contract is extended for a further 18 months from the end of September 2018.**
- **The Growth Hub specification is amended** to deliver performance and activities in line with government guidance including setting out some clear KPIs and taking on Board feedback from the recent evaluation.
- **The Growth Hub is funded from EM3 of £63k pa in addition to the £287k pa from Government.** The funding will be sought from SEEDA legacy funds which was agreed by EM3 Board members as part of the budget position paper presented at January Board.

- 3.2 Additionally, **we will utilise revenue funds swapped with capital funds of £331k** [this is what is left of the original £600k to end March 2021] set aside by Government for Growth Hub activity. BE Group have submitted a business case for use of these funds which we have approved as part of Growth Hub activity. This is included at annex B.
- 3.3 We will explore funding the Growth Hub with further funds from our capital/revenue pot to further enhance provision. A proposal will be developed and submitted to PMG.
- 3.4 We have included an annex a summary of planned business support provision including the future focus for our Growth Hub at Annex A. The proposal sets out a generic description of the purpose and function of Growth Hubs, along with a brief description of the roles and function of the Enterprise M3 Growth Hub.
- 3.5 Several draft Growth Hub goals, outcomes and measures are proposed although without current baselines targets or the revised BEIS Metrics and Evaluation Framework, some measures cannot yet be determined.
- 3.6 We have already agreed with HCC a capital and revenue transfer of capital funds awarded to the Growth Hub through Local Growth Fund 1 and BE Group have provided us with a business case on how they will utilise these funds to push forward their scale up plans. Annex B Business case is provided for information only.
- 3.7 Next Steps: If the Board agree to the option proposed further meetings will be held with partners and the Growth Hub to agree the refocus, scope and targets for the Growth Hub.
- 3.8 The Board are asked to consider the options set out in this paper for future delivery of Business Support Activity, note the draft future Growth Hub proposal at Annex A and **AGREE** to renew the Growth Hub contract for a further 18 months from 1 October 2018 to 31 March 2020 and agree that the LEP will provide an additional £63k per year in addition to the £287k pa funding from Government.

Chris Quintana
Enterprise and Innovation Project Manager
21 March 2018

Enterprise M3 : Context for Future Business Support Activity and Planned Approaches

Introduction

This draft proposal sets out Government's current policy on business support and draws out areas of emphasis within the Industrial Strategy. It highlights the responses by Enterprise M3 for business support activity delivered by our Growth Hub and through other activities to the businesses across our area and beyond. This approach is still in development and will be discussed further with partners and our Enterprise and Innovation Action Group and other action groups. The proposal will also feed in and reflect the priorities within our Local Industrial Strategy.

1. Growth Hubs

1.1 Purpose and Functions

- 1.1.1 Growth Hubs are local public/private sector partnerships led by the Local Enterprise Partnerships (LEPs) designed to provide a single local access point for national and local business support, and to join up different sources so business owners can get the support they need quickly and easily.
- 1.1.2 There are 38 Growth Hubs across England formed with partners that include a range of organisations, such as the FSB and chambers of commerce, universities, enterprise agencies, libraries, colleges, local authorities and others.
- 1.1.3 There is no single defined model for a Growth Hub because they are designed to reflect local needs and partnership arrangements, but all Growth Hubs have committed to the following:
 - To offer diagnostic and signposting, so businesses can be referred to the right help quickly.
 - To raise awareness of business support, so businesses know where to go to get help.
 - Influence the design and delivery of business support services.

1.2 The Enterprise M3 Growth Hub

- 1.2.1 Funded with a Government Grant, the Grant is specifically for the giving of advice to business by Enterprise M3 LEP by supporting the further development of our Growth Hub, aligned to Government's objective to simplify access to support for businesses.
- 1.2.2 The Enterprise M3 Growth Hub is delivered by BE Group with its expert partners, SETSquared, Business South and the County Councils of Hampshire and Surrey.
- 1.2.3 The Grant provides for the positions of Growth Hub Director, Marketing & Community Engagement Manager, Business Intelligence Analyst, two full-time Growth Champions, and eleven Associate Growth Champions. The Growth Champions are high calibre business experts providing a face-to-face personalised and tailored advice service targeting high growth businesses operating within key sectors.

1.3 Roles and functions

- 1.3.1 Through Principles of Funding¹ Government seeks to ensure that all 'Growth Hubs across England offer a consistent, quality and output driven service to business and ensure that core Growth Hub services are prioritised on those activities with the greatest impact on business growth'.
- 1.3.2 The EM3 Growth Hub uses its grant to provide the following functions and related responsibilities, which include the provision of two distinct services:
- The '**Universal Service**' which delivers broad signposting and light touch information, diagnostic and brokerage. It is available via a range of multichannel support options including email, social media, website, webchat, e-newsletter, and via the National Business Support Helpline which is accessed via a dedicated local telephone number for EM3 businesses;
 - The '**Growth Service**' which provides focused and deeper support targeted at and tailored for high growth, high potential businesses. This service is delivered face to face by growth champions and normally consists of up to 2 days advice to identify and deliver the opportunities and impact most valuable to the high growth company to increase revenue and profit.
- 1.3.3 The most appropriate and effective ways in which the Growth Hub seeks to support business growth in Enterprise M3 have been influenced by the experience of working with a wide range of individuals and groups, the development of an evidential base (Strategic Economic Plan), and the Enterprise M3 evolving Local Industrial Strategy.
- 1.3.4 The 'growth' message is central to the Enterprise M3 Growth Hub's purpose

2. Strategic Context

- 2.1 The Government Industrial Strategy² sets out a long-term vision for a transformed economy that builds on Britain's economic strengths, addresses its productivity performance, embraces technological change, and boosts the earning power of people across the UK.
- 2.2 Aligned to this vision are five foundations of productivity; ideas, people, infrastructure, business environment and places, with each supported by a range of policies designed to 'provide businesses with certainty and reassurance that the UK will continue to have a competitive edge'.
- 2.3 **Set out in the Industrial Strategy the Government states that 'all businesses should have access to a local Growth Hub'**. This is important since it demonstrates Governments commitment to Growth Hubs, recognising the strategic importance that it places on Growth Hubs in its approach in helping to shape the business environment to create the conditions where successful businesses can emerge and grow.
- 2.4 Local economies are reliant on strong businesses to provide sustainable private sector-led growth and job creation, and Growth Hubs are recognised by Government as a

¹ Department for Business, Energy & Industrial Strategy: Growth Hub Funding to Local Enterprise Partnerships (LEPs); Schedule 3 - Principles of Funding (2018-2019)

² [HM Government, Industrial Strategy: building a Britain fit for the future, November 2017 \(p.182\)](#)

central instrument in achieving this goal.

- 2.5 Furthermore, following the budget announcement in November 2017 setting out Governments commitment to continue funding Growth Hubs, in February Enterprise M3 received formal notification from BEIS that the LEP would receive £287k per year for a further two financial years to support its Growth Hub, although there has been no change to this amount from previous years.

3. **Business Environment: UK**

- 3.1 Following the Industrial Strategy consultation (Green Paper), there has been increasing recognition of the importance of enhancing the business environment to deliver on the government's aim to make Britain the best place to start and grow a business: access to finance; diffusion of good practice (principally access to management skills and new technologies); entrepreneurship and scale-ups; exports (particularly acute when we consider the uncertainty surrounding the referendum result); the competitive and regulatory environment; good work (for example ensuring everyone benefits from the technology revolution); and the role of government such as providing strong engagement with inward investment opportunities.
- 3.2 The OECD ranks the UK as one of the best places to start and grow a business and according to OECD research, in 2014, 350,000 new enterprises were formed in Britain. However, although the UK ranks third for start-ups, it is 13th for number of businesses that successfully scale up. It is worth noting that high-growth companies provide a disproportionate number of new jobs, but too few of those start-ups transform into "scale-ups".
- 3.3 **It should also be noted that although there was an expectation that government would provide additional funding for scale up activity based on submission of scale up plans made by LEPs in August 2017. However following a meeting on 13 February between BEIS, Kathy Slack, Chris Quintana and Sue Lapham from the Accountable Body, it was confirmed that no further funding for this activity would be made available from government.** Enterprise M3 is considering delivering this support through EU funding and by linking together the other strands of activity being developed by our partners.

4. **Business Environment: Enterprise M3**

Similar challenges have also been identified by the Enterprise M3 business community and highlighted by the following activity:

4.1 **EM3 5G Scale Up Plan**

Building on the capacity and reach of the 5G Innovation Centre to develop a strategic approach to local business growth, the 5G scale up plan brings together partners including the University of Surrey, the university's business school, SETsquared and Creative England. It aims to unlock a new generation of ambitious high growth digital businesses to enable them to access this technology, maximise their growth potential and scale-up. Key components of scale up support identified through consultation with stakeholders included the following:

- Availability and access to talent and skills;

- Access to leadership talent development education, mentoring and effective local professional support to improve productivity;
- Access to markets (local, national and international);
- Access to business advice;
- Infrastructure support, e.g. access to flexible office space, shared services, incubators and accelerators;
- Access to and adoption of new digital technologies for example 5G and performance management systems; and
- Access to finance, e.g. bank loans, grants, venture capital support, crowd funds, export finance etc.

4.2 **Innovation South**

Ensuring the most effective business support is felt across the region will be key to making the most of the South's advantages in Digital Enabling Technologies in a global market. Building on the LEP's investments in 5G require us to understand the needs of business better whilst provide complementary support where possible. We will want to build on the proposals submitted as part of Innovation South and work both within and beyond our boundaries at putting in place support such as Knowledge to Market Accelerators to support our growth sectors.

4.3 **Local Industrial Strategy**

Our Local Industrial Strategy contains a number of activities that will support improvements to productivity. We envisage our strategy will have a strong focus on International activity, including exporting and greater understanding of the needs of businesses through active account management by ourselves and partners. We will want to maximise the benefit and accessibility of existing support mechanisms, such as the DIT's export support offer and promote the Manufacturing Advisory Service through a further EU (ERDF) call, in order to contribute to improvements in our levels of productivity. We will want to fully engage with the government's consultation on the Shared Prosperity Fund when launched later this year to ensure Enterprise M3 gains a share of these funds to support our businesses.

4.4 **Internationalisation Programme**

Export:

Brexit has created uncertainty for businesses with business support now even more crucial both for business survival and for growth. Businesses want face to face, on the ground trade advice and support, rather than an overreliance on digital platforms. Alongside local knowledge, businesses require expertise overseas in areas of export, facilitated by embassies, consulates and high commissions. Businesses also want greater resources for overseas trade missions and attending overseas trade exhibitions. Joining up these supports will be vital in taking forward the export growth agenda. We will want to explore how we build on our early joint work with HCC, SCC and districts from EM3.

Inward Investment:

Supporting inward investment must include promoting through the GH portal and events a consistent set of messages about the investment opportunities and economic

strengths of our area, helping to support the development of clear sector propositions that promote local assets and create a 'regional brand' which will strengthen our region's competitive advantages and be recognised internationally. Inward investment business support initiatives should be clearly tailored to support this agenda including outlining the benefits offered with the EM3 multi-site Enterprise Zone.

4.5 **Enterprise Zone**

The Growth Hub should access opportunities to provide dedicated scale up support for our multi-site Enterprise Zone particularly where there are businesses collaborating on projects such as those located in the BASE Centre in Bordon. Further, actively working with the EZ to ensure plans are brought forward to create adequate space to grow and scale-up.

4.6 **Sectors**

Local SMEs in our technology sectors require significant hands-on support to achieve their growth potential, particularly in areas where founders and their small teams may lack knowledge or experience. This can be basic management support, managing the growth process, accessing funding for growth, creating links/networks with research institutions and larger firms, and finding premises/grow-on space.

Growth Hub should drive scale up support into these sectors through, for example sector-based events including across areas that bring together businesses, support providers and other organisations where synergies and opportunities can be exploited. For example, in the EM3 area there is a significant cluster of businesses operating in the space sector. Using space-based technology can enable huge benefits in sectors such as marine, agri-tech and med-tech. Bringing together high growth businesses from sectors where Enterprise M3 lacks strengths could enable businesses in both the EM3 area and other LEP areas to benefit from collaborative opportunities. Initiatives around the aerospace sector and the Med Tech sector are also envisaged.

4.7 Following various consultations across this activity there has been increasing recognition of the centrality of providing a scale up programme in response to the major challenges facing our ambitious, high potential small and medium sized businesses that is essential to help them scale-up and become world-beating.

5. **Business Support Challenges and the Enterprise M3 Growth Hub Focus**

5.1 The developments described above provide a context for the LEP to review and focus its business support priorities, to ensure they remain relevant and responsive to the evolving national and local macro-environmental factors. Ensuring alignment and complementarity of the above programmes will be a key role for the Growth Hub going forward.

5.2 In January 2018, Enterprise M3 received a final report from WECD following a comprehensive independent review of the Growth Hub. The report acknowledges the Growth Hubs considerable achievements but found that there are several areas where action is needed to effect change.

5.3 Further, in March 2018 BEIS presented a revised set of Principles of Funding which sets out the priorities for the LEP to ensure that its Growth Hub services are prioritised on

those activities with the greatest impact on business growth. These are:

- Principle 1: Management, governance and coordination
- Principle 2: Data, monitoring, reporting, valuation and value for money
- Principle 3: Strategic partnerships and business support simplification
- Principle 4: Triage, diagnostic and signposting
- Principle 5: Ambitious and high growth businesses (Scale-Ups)

5.4 An evaluation of the final report and the revised Principles has found that despite significant progress made by the Growth Hub over the past two years, several issues and priorities identified need to be addressed to ensure that the Growth Hub can adapt to changing macro-environmental factors.

5.5 It is worth noting with the revised Principles that the requirement for the Growth Hub to become financially sustainable has been withdrawn.

5.6 Continuing business support challenges which demand the focus of the LEP and the Growth Hub include:

5.6.1 **Using a range of data sets**, the Growth Hub should supplement local intelligence to shape delivery of core Growth Hub services to target and engage high growth SMEs shaping an efficient offer of advice and scale up support that will help to accelerate business growth in key technology sectors and new international markets.

5.6.2 **Business support must help to address the challenges** faced by businesses such as access to skills or knowledge and the capacity of businesses to innovate.

5.6.3 **Strengthening the drivers for success and productivity improvement** in enterprising and innovative businesses, by building cross-sector business-wide awareness of what the Enterprise M3 Growth Hub is and what it does; ensuring that businesses are clear about what business support the LEP and the Growth Hub offer; the difference between providers within the area and nationally, and how to navigate this.

5.6.4 **Business support must be joined-up with other services**, such as innovation and export finance or the regulatory environment, creating better co-ordination between national and local services and institutions.

5.6.5 **Developing the international linkages** that allow Enterprise M3 businesses to benefit from trade, and the flows of investment, skills, and technology.

5.6.6 **Encourage more businesses to engage in exporting** by identifying and targeting businesses with a greater propensity to successfully export enabling improved focus on intensive export growth support and advice for potential scale-ups, and particularly ambitious medium sized businesses.

5.6.7 **Reducing the regional disparities of business support provision** by providing a more geographically balanced approach across the LEP area, for example by introducing more place-based, resource efficient business support clinics across all local authorities and the Enterprise Zone, and exploring opportunities for sharing office space, hot desking and other resources with local partners.

5.6.8 **Strengthening collaborative working relationships** including sourcing shared office space with, for example, existing business support providers, local authorities, enterprise zone sites, science parks, and business/enterprise centres where high

growth technology businesses may be located, or have easy access to, and where the Growth Hub would have the most impact.

- 5.6.9 ***Achieving a greater balance of high intensity support in key sectors*** identified through the development of the Local Industrial Strategy (LIS), that includes targeting ambitious, high-growth innovative small and medium sized businesses as well as micro-sized businesses with high growth potential.
- 5.6.10 ***Building and strengthening reach by developing peer-to-peer networks and strong, inclusive partnerships*** that connect businesses to the best support available from the private and public sectors such as UK Research and Innovation, the British Business Bank, Tech Nation, investors and universities, and to target support on those businesses with the opportunity, ambition and greatest potential to grow.
- 5.6.11 ***There must be a serious commitment to business support***, with advice focused on enabling firms in high-value industries to emerge and grow, integrating Growth Hub planning thoroughly into LIS, LEP business plans, and programs such as Innovation South, Enterprise Zone, Internationalisation and ESIF.
- 5.6.12 ***Supporting the major firms in our critical growth sectors*** in preparation for opportunity in the post Brexit economy. Across the region we must remain in close dialogue with our leading businesses, understanding their issues and opportunities, gathering intelligence and being able to respond rapidly to their needs.
- 5.6.13 ***Working with local partners*** to gather the appropriate intelligence to simplify messages to businesses about business support including mapping business support in the area, gathering data on the performance and targeting of local schemes, and, working together with partners to review and rationalise schemes.
- 5.6.14 ***Continuing to build*** on providing rich content on the Growth Hub portal that includes important campaigns such as GREAT.
- 5.6.15 ***Proactively promoting programmes*** (public and private) that enable more businesses to access new market opportunities and be more confident in trading internationally; are most successful at stimulating business investment in science, research & development and innovation, and encourage the adoption of innovative technologies and management best practice; enable more businesses to source the right people, access apprenticeships and develop workforce skills to enable businesses to attract and employ new workers and fill gaps in technical and basic leadership and management skills; and increase business awareness and participation in public procurement and major infrastructure projects, improving the knowledge needed to compete successfully and increasing SME procurement capabilities.
- 5.6.16 ***Creating networks*** aimed at tech entrepreneurs through focusing on horizontal business collaboration.
- 5.6.17 ***Providing training and awareness*** around the digital agenda, encouraging new ways of working to remain competitive.
- 5.6.18 ***Work in partnership with the BBB, banks, accountants*** and others to raise awareness of mainstream and alternative sources of finance covering debt, equity (e.g. private equity funding, venture capital, alternative bank lending), leasing, diversified funding streams and microfinance to increase supply of finance options for growing firms.
- 5.6.19 ***Working to make connections*** and build supply chains and clusters of businesses to

enable collaboration.

- 5.6.20 **Combining incubation and acceleration** with access to finance and linking start-ups to larger companies.
- 5.6.21 **Seeking new ways to identify ideas** through innovation calls, tech labs and collaborative invention space.
- 5.6.22 **Maintaining a watching brief** by introducing a range of additional KPI's that are linked to productivity, job quality and innovation, with particular attention to measures that would improve the economic resilience of the Enterprise M3 area, for example by measuring the value of new exports attributable to the support given directly that would provide assurance that the Growth Hub is delivering impact.
- 5.7 **These challenges should be incorporated into an action plan** that sets out the key priorities for action over the fiscal year period from 2018-2020 to better ensure that the business support is targeted and effective. The action plan should be closely aligned with the governments approach as set out in the Industrial Strategy 'to drive up productivity; provide more opportunities for better, higher paying jobs; and shape (the Enterprise M3) business environment to take on the challenges and opportunities of new technologies and new ways of doing business'.

6. Growth Hub Goals, Outcomes and Measures

The Growth Hub's aim is to provide complementary support activities to the business support services already operating in the Enterprise M3 region, focusing on priority sectors as highlighted by the LEP's Local Industrial Strategy.

6.1 Growth Hub Goals

To improve the organisational effectiveness in the accomplishment of this aim, there are four high level goals for the Growth Hub that we seek to achieve both through our own work, and through working with several other organisations, groups and individuals. These are:

1. High growth businesses in key sectors have a good understanding of where and how to access the Enterprise M3 scale-up programme.
2. Businesses in the LEP area have access to impartial businesses support services via the Growth Hub portal.
3. Businesses are signposted via the Growth Hub portal where they can make informed decisions about complementary support.
4. The Growth Hub complies with the commitments set out in the BEIS Principles of Funding.

6.2 Growth Hub Outcomes

We identify four contributing outcomes that the Growth Hubs work is directly aimed at achieving, and which contribute to these higher-level goals. The six contributing outcomes of the Growth Hub are:

1. High growth businesses in key sectors are accessing the Enterprise M3 scale-up programme and are making informed decisions to scale up their business.
2. The Growth Hub is a trusted business support partner.
3. The EM3 scale up programme is effective.

4. The Growth Hub have developed strong inclusive partnerships with all local and national players (public and private).
5. The Growth Hub portal provides up-to-date materials, advice and signposting.
6. The Growth Hub portal provides a link to trusted suppliers of finance.

6.3 Outcome Measures

The major measures of impact will be linked to productivity, job quality and innovation with particular attention to measures that would improve the economic resilience of the Enterprise M3 area, for example by businesses reporting improvements in earning power, as a result of accessing the Enterprise M3 scale up programme and information.

These will be measured through Growth Hub surveys and conducted in association the wider Growth Hub partnership, together with other surveys based on benchmark and analyses produced through the Local Industrial Strategy and other LEP programmes.

1. Core Enterprise M3 measures:
 - Increase in enterprises securing information from the portal from 9,000 to 10,000.
 - Increasing high growth potential enterprises receiving support from 180 to 250.
 - Increase jobs created from 200 to 416.
 - Ensure accurate, robust and quality driven data capture and reporting to BEIS of non-aggregated data for all businesses receiving medium-intensity and high-intensity diagnostics, support and advice as per the requirements of the new Metrics and Evaluation Framework.
2. Additional EM3 measures for high growth businesses (note: base line data is required to set targets):
 - Increase in the number of businesses growing from ‘potential scale up’ to ‘scaling up’ based on BEIS definitions of number of employees and per annum growth in turnover or profit.
 - To increase the number of businesses generating 20% per annum growth in turnover by...
 - Increase the number of businesses adopting apprenticeships by...
 - To increase the percentage of businesses who have received a High Growth Action Plan and have declared an increase in innovation by 75%.
3. Additional (longitudinal) Enterprise M3 measures linked to productivity, job quality and innovation (note: benchmark data is required to set targets):
 - To increase the value of exports by (TBC)
 - To increase the number of businesses investing in R&D measured by SME's introducing new products and processes (TBC)
 - To increase the improvements in earning power
4. National Framework measures:
 - Note: there is a revised Metrics and Evaluation Framework due to be issued by BEIS with the expectation that revised KPIs will be defined and agreed between LEPs and BEIS by the 30th March 2018.

7. Funding

The Growth Hub is a fundamental part of the economic development eco system. Its role is a complex one, working to a broad specification set by central government but in a way that reflects the local economy and needs of business. Since its design and commissioning there has been unprecedented change in both the political and commercial environment which the hub is navigating its way through and although we need to strengthen our Growth Hub's position on scale up activity, much will be dependent on future funding.

Government have confirmed that the LEP will receive further core funding for the next two financial years to support the development of our Growth Hub, however the amount hasn't increased on previous years. It remains at £287k per annum.

Enterprise M3 'tops up' the grant with a further £63k funded from SEEDA legacy to provide the Growth Hub with a total of £350k in revenue per annum.

Although it is difficult to envisage how we can appropriately resource this increased programme of activity that ensures the Growth Hub can deliver its contracted objectives, business outputs and intended impacts into future financial years with the same level of funding, the LEP is continuing to explore how we can access other funding to further support the Growth Hub, including the following options:

7.1 Growth Hub Capital

We do have an opportunity to convert approximately £349k of existing capital already allocated to the Growth Hub from LGF, into revenue. This is because over the past two years the Growth Hub has only had limited opportunities to utilise the funds on the required focus and scope of the Growth Hub service.

Converting this capital would provide the Growth Hub with additional revenue to fund increased activity focused on scale up and support its ongoing success and development.

Although the business case for this would need to be agreed, the funding would support additional Growth Service resource as set out in the table below. The full business case can be found at Annex B.

Activity	Estimated Cost (excluding VAT)	Output
Scale up Conference	£35,000	50 new engagements
Project Management	£72,000	
Growth Champion Associate Budget	£75,000	Ability to deliver 100 additional growth plans *scalable based on £750 average cost per growth plan

Administrator / Co-ordinator	£47,000	
Workshop and event programme	£50,000	50 new engagements
BQ scale 100 or innovation 100 index	£30,000	25 new engagements
Round tables and digital content	£20,000	Increased visibility of EM3 area for BEIS and Scale Up agenda, supporting inward investment
Awards	£20,000	
Total	£349,000	

7.2 ERDF

Enterprise M3 is a member of a partnership that includes the University of Surrey (lead applicant), BE Group, and Hampshire and Surrey County Councils, who have submitted an outline application to the ERDF EM3 Scale Up Support programme for SMEs. Following an Outline Application assessment, the managing authority for the European Regional Development Fund (ERDF) have confirmed that the application has been accepted at outline stage and may progress to the submission of a full application subject to certain conditions. Full Application should be submitted by 14 May 2018 although this is likely to be deferred.

Total project value for the programme is £2m including £1m in match funding.

Should the application be successful it is unlikely to be confirmed until around September or October this year.

7.3 Growth Hub Business Planning Activity

Keeping firmly in mind the key principle of maintaining an impartial service with a core service that is free to business, the Growth Hub's Business planning activity is working on the introduction of new revenue streams and while ideas require further investigation, the following areas are under consideration, although there is not an indication of the likely amount:

- Referral fees from 3rd parties / suppliers, e.g. when a supplier is introduced to a customer of the hub a referral fee would be incurred and payable by the supplier.
- Advertising / Sponsorship, e.g. suppliers of goods and service promote themselves via charged for advertising on specific areas of the portal.
- Local Growth Hub offer, funded by Local Authorities, e.g. to provide a more localised business engagement and growth service for individual LA's which they pay for directly.
- Providing business support specifically targeted to the Enterprise M3 multi-site Enterprise Zone.
- Registration as a supplier, e.g. on the general market place a small administration fee might be charged.
- Joint events where an organisation approaches the hub to partner on a particular event rather than them being a commercial sponsor.

Business Case for EM3 capital to revenue additional funding

22 September 2017

Roya Croudace, Growth Hub Director

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1. Introduction and Background

The purpose of this business case is to set out proposals for how the Enterprise M3 Growth Hub (the 'Growth Hub') could enhance or expand its current services if further funding were made available by the Enterprise M3 LEP. The proposals are made in the context of the EM3 LEP's Scale Up Plan which was submitted to BEIS in August 2017 and in light of the LEP's capital monies which have been approved to revenue budgets. The proposals are also reflective of the growth in demand for the Growth Hub, its stage in life cycle and its expanding remit; which is now putting significant pressure on existing budgets and resources.

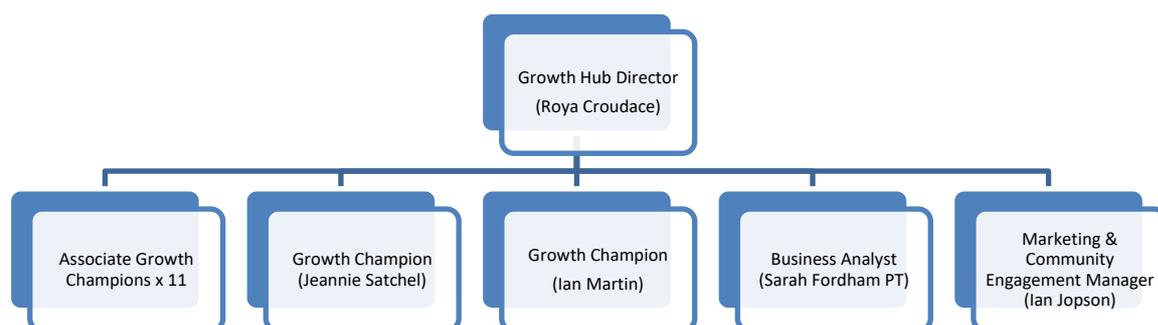
The Growth Hub – current delivery model, structure and resources:

The Growth Hub is currently delivered by BE Group, with support from a consortium of partners: Hampshire County Council, Surrey County Council, SETSquared and Business South. The partners form a partner board which guide the direction and performance of the Growth Hub. All core resources and infrastructure of the Growth Hub are funded via BE Group, who directly access £350,000 of revenue and up to £100,000 of capital expenditure annually from the LEP.

Following a significant underspend in capital expenditure in year 1, a business case was developed to explore opportunities to further exploit capital revenues in support of the Growth Hub delivery in years 2 and 3, as revenue budgets were limited. Over the past two years the Growth Hub has used capital revenues where possible, but there are limited opportunities based on the required focus and scope of the Growth Hub service. The Growth Hub requires additional revenue funding to support its ongoing success and development.

The focus of the Growth Hub has been, since its inception, to support high growth high potential businesses; a service directed at the LEP's four priority sectors. Over the last two years it has already engaged with 700 high growth SMEs and provided intensive one-to-one support to over 340 businesses.

The scale and structure of the Growth Hub has increased significantly since its inception. The current team structure is shown below:



The original funding for the Growth Hub was established to provide for a total team of 4.2 FTE, including 1.6 FTE Growth Champion resource via employed or associates. The current FTE of employed staff only is 4.6 including 2 FTE directly employed Growth Champion resource. The associate budget is in addition to the employed resource and in 2017/18 is currently forecast to have cost £98,000 of additional cost.

The additional investment to-date has been funded via BE Group, the core delivery partner of the Growth Hub, with 50% of one of the additional salaries being funded via capitalised expenditure.

The Growth Hub now employs two full time Growth Champions and has expanded its pool of expert associate Growth Champions from an initial four to eleven. The diversity of skills that the Growth Champions bring is absolutely key to the value and depth of our service and reflects the requirements of high growth businesses in our key sectors. The associates can use their specialise skills and knowledge to support businesses, direct them to appropriate channels of funding and provide mentoring suited to business needs. In addition to the associates, the core Growth Champion team have been absolutely fundamental to the increased success of the Growth Hub and our ability to successfully engage with SMEs, focus on proactive partnership engagement strategies and have enabled us to effectively capture data and focus on impacts.

The current breadth and scope of priorities managed by the Growth Hub Director are impacting on our ability to effectively deliver the service in the long term.

The ability to both strategically:

- manage the Growth Hub's service and its development;
- manage a diverse set of relationships within the network; and
- provide strategic input to a range of LEP based projects and priorities including sector development

combined with the day to day operational pressures of:

- managing the team and their performance;
- managing a pool of complex associates;
- management and monitoring of service delivery and performance against KPIs;
- reporting including managing impact processes; and
- quality assurance and customer satisfaction

In addition to the growth service, the Growth Hub also provides a universal service for all businesses via a multichannel approach (the National Business Support Helpline), the website portal, social media channels and via the "online community". The online community and discussion forum is a new development that was introduced in 2018 to develop audience engagement online, expand content and information for all businesses and to support the agenda to simplify the business support landscape and eco system. It is a supporting feature for both the business and stakeholder/partner community.

The Growth Hub did not initially intend to deliver or support event activity, but we have identified that this is an effective and successful engagement strategy and one that can add significant value in delivery of the growth service. The Growth Hub has been instrumental in supporting a range of partner events including for councils, local authorities and other business support organisations and funded programmes.

Enterprise M3 Draft Growth Hub Scale Up Plan for BEIS:

EM3 LEP was requested to provide a draft scale up plan which was sent to BEIS in August 2017. Research carried out by the Scale Up Institute since 2014 and published in the 2016 Scaleup Review 1, suggests that there is a clear “connection between local economic growth and the number of companies scaling up”, and that “Scaleups are also linked to productivity, job quality and innovation”. This has already started to come through with the impact figures on jobs and turnover with the high growth SMEs. The most recent annual Scale Up Review Report published by the Scale Up institute, found that UK scaleup businesses are more productive, create more jobs and are both more innovative and international, being twice as likely to trade overseas than their peers

This was aligned to the Scale Up Institute’s strategy and the 10 pillars of the Industrial Strategy set out by Government to drive forward the whole economy. The focus is to develop a strategic approach to local business growth to enable ambitious businesses to maximise their growth potential and scale up. This sets out the need for the LEP through our Growth Hub to develop proposals that are aligned with their Strategic Economic Plan, setting out how we will identify and target businesses with growth potential and the ability to scale up. A recent scale up survey amongst local SMEs has identified the following priority areas to focus on for the scale up journey:

- a. Availability and access to talent and skills, including leadership capability;*
- b. Access to finance;*
- c. Infrastructure support, specifically access to flexible office space, incubators and accelerators;*
- d. Access to markets, including export markets;*
- e. Mentoring and effective local professional support;*
- f. Adoption of digital processes and access to 5G technology support services.*

2. Expansion of the Growth Hub Aligned to the LEP's Scale Up Plan

To fully recognise the opportunities to drive the LEP's Scale Up Plan and accelerate the cultivation of the scale up eco system, we are proposing that a proportion of the capital budget that has been transferred to revenue be allocated to expanding the Growth Hub. The recent Scale Up Review 2017 report highlighted over 1000 scale ups in this region with over 10 employees and 20% growth year on year over 3 years or 5 plus employees with the potential of 20% growth over 3 years.

We have already started the process of breaking down which of these are SMEs by using the scale up map and our own data. This will provide extra resources to work with more scale up businesses and enable us to have the capacity to develop further the priority areas highlighted above.

Our principle proposals are to develop:

1. A Growth Hub structure that is more sustainable in the long term and will enable continued development, involvement and growth of the Growth Hub whilst continuing to provide the appropriate level of operational focus to achieve key contract performance. The appointment of an Operational Manager is therefore critical to the Growth Hub and is an immediate priority.
2. A joint scale up programme with each Borough Council to engage with their scale up businesses and provide joint meetings and events.
3. A clear targeted plan and service for "scale ups" in the Life Sciences and digital health sector, gaming, AI and Space, which will address the LEP's key sector priorities with a continued and expanded focus on our specialist growth champion resources.
4. Develop sections on the online community for each of the priority areas as highlighted above for scale ups, such as investment, premises, export etc, with the development of an interactive scale up map of business support which will be made available online and maintained and updated by partners.
5. Seamless referral between the scale up activity of the Growth Hub and other scale up initiatives including SETsquared SASSIE and 5GIC.
6. A scale up campaign, delivered via round tables, BQ scale up 100 or Innovation 100 publication, digital content showcasing the top scale up businesses, events, awards to celebrate and inspire.
7. Develop with partners a complementary programme of scale up workshops, events, blended learning and business insight sessions.
8. Expand reach of the Growth Hub to provide further engagements and 1:1 support to more SMEs, increasing impact of jobs, productivity, and profit.

Proposed costs:

The table below details the proposed costs of our proposals, and are based on the fact that there are a number of unknowns at this point, including:

- Clarity on core funding is unknown at this point in terms of term and value.
- The Growth Hub contract is currently only in place through to September 2018.
- There is a current ERDF bid in at Outline application stage, of which formal approval to progress to the next stage is not confirmed. Detailed planning has not yet been undertaken for this. It is envisaged the entire service would need to be reviewed in terms of delivery model and structure should ERDF match be brought into the equation.
- Further community and portal development will be attributed to the current capital expenditure. This will include the development of a “Scale Up” button which will then lead into sections identified for scale up SMEs. These sections with links and in depth content will cover Infrastructure and premises on an interactive map, leadership and management, skills, finance, access to markets and accelerators/incubators shown on an interactive map. There will also be an interactive map of scale up business support.
- Costs at this stage are based on indicative numbers, more detailed delivery plans would be worked up in advance of each strand for approval of final budget allocation.
- Commercial sponsorship opportunities will continue to be explored to offset costs.

Activity	Estimated Cost (excluding VAT)	Output
Scale up Conference	£35,000	50 new engagements
Project Management	£72,000	
Growth Champion Associate Budget	£75,000	Ability to deliver 100 additional growth plans *scalable based on £750 average cost per growth plan
Administrator / Co-ordinator	£47,000	
Workshop and event programme	£50,000	50 new engagements
BQ scale 100 or innovation 100 index	£30,000	25 new engagements
Round tables and digital content	£20,000	Increased visibility of EM3 area for BEIS and Scale Up agenda, supporting inward investment
Awards	£20,000	
Total	£349,000	

Time frame of scale up activity to the end of September 2018 in line with the end of our present funding:

	March 18	April 18	May 18	June 18	July 18	August 18	September 18	Oct – Dec 18	Jan – March 2019
Project manager	Start recruitment		In post Training						
Admin/coordinator	Start recruitment		In post Training	Support in targeting scale ups within councils and sectors for Growth service engagement.					
Recruitment of further skills and sector specific associates for scale up project.									
Targeting niche sectors for scale up programme			Life Sciences and Digital health	Top 40 scale ups	A&D top 10 scale ups, AI and cyber security				
Targeting and joint meetings with EDOs and top 10 scale ups SMEs									

<p>Launch of scale up workshop logo in our newsletter with regular monthly scale up content.</p>	<p>Launch</p>								
<p>Scale Up web community development (monies coming out of GH core capital in new financial year)</p>		<p>Start development</p>				<p>Launch</p>			
<p>Workshops with scale up logo branding</p>				<p>Talent & Skills workshop</p>	<p>Apprenticeships workshop for scale up SMEs</p>			<p>workshop</p>	<p>workshop</p>
<p>Scale Up Conference and launch of scale up index</p>							<p>Awards and scale up roundtables programme to support the launch of the scale up Index into end of 2018/2019</p>	<p>Roundtable</p>	<p>Roundtable</p>